



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

## MEMORANDUM

To: Reporters and Editors  
Re: Resolution on WTO Agriculture Negotiations  
Da: Wednesday, Feb. 26, 2003

Sen. Chuck Grassley, chairman of the Committee on Finance, Sen. Kent Conrad, and a bipartisan group of committee members today offered an amendment to the *Miscellaneous Trade and Technical Corrections Act of 2003*. The amendment, a sense of the Senate resolution on World Trade Organization agriculture negotiations, came during the committee's consideration of the trade act. The committee adopted the amendment with a strong show of support. The bill did not receive final committee approval this morning due to a lack of a quorum. Grassley plans to seek final approval from the committee as soon as possible, ideally off the Senate floor during a vote. Grassley made the following statement in offering the amendment. The text of the amendment/resolution follows.

"This resolution offered by Senator Conrad and myself affirms the guidance on agricultural market access that I have provided to our trade negotiators for more than two years, and is consistent with the ambitious proposal for long-term agricultural trade reform the United States tabled at the WTO in Geneva in 2000. Greater market access is the single most important thing we can achieve for our farmers, ranchers, and agricultural producers in the WTO agricultural trade negotiations now under way in Geneva. Let me explain why this resolution should be adopted. The WTO agriculture negotiations in Geneva are in a critical phase. Countries are putting forward proposals on 'modalities' the road map for how we will achieve greater market access, and reduction commitments in agricultural tariffs and trade-distorting support.

"The stakes are tremendous. How we resolve these issues will determine whether we will achieve meaningful agricultural trade liberalization in this crucial round of WTO negotiations. Unfortunately, differences over these 'modalities' have slowed negotiations to the point where we are making little, if any, progress. That's because the European Union, Japan, and several other countries want to avoid making bold reduction commitments that will result in less trade-distorting spending and more open world agricultural markets. Since countries were not able to agree on the scope or pace of agricultural trade reform in this phase of the talks, the chairman of the agriculture negotiations in Geneva, Stuart Harbinson, wrote a draft modalities paper in order to try to achieve a consensus so negotiations could move forward.

“While it makes progress in some areas, the Harbinson draft falls short in a number of others. That’s why Senator Conrad and I have proposed this Sense of the Senate resolution. We need to make absolutely certain that these WTO agriculture negotiations result in a good deal for America’s farmers, ranchers, and agricultural producers. In order to make sure that happens, we need to cut high agricultural tariffs as much as possible. That means reducing high tariff levels more quickly than lower tariffs. Agriculture still has some of the highest tariffs in the world. It just makes sense to reduce higher tariffs more.

“But the European Union has strongly resisted this approach. While the Harbinson draft recognizes that high tariff levels should be reduced more quickly, it would still allow countries to keep high agricultural tariff levels in place. We must also reduce and eliminate trade-distorting domestic support, by setting the same standard for all countries’ allowed level of trade-distorting domestic support. This harmonization of support levels is the only way we can effectively address the vast disparity in domestic support spending between the European Union and the United States. Under current WTO rules, the European Union is allowed to spend \$60 billion a year on trade-distorting domestic support, and has no limit on so-called ‘blue box’ payments, while the United States has a ceiling of \$19.1 billion. This huge domestic support advantage in favor of the European Union is one of the main reasons why American farmers find it so difficult to compete in Europe, as well as in a growing number of important third-country markets.

“The Harbinson draft falls short of my goals in this area as well. Frankly, these agriculture negotiations are so important to America’s farmers that I would rather see no deal at all than a bad deal. Our trade negotiators need our strong support and guidance now more than ever, especially when critical decisions may soon be made that will determine the ultimate outcome of the negotiations. That’s what this resolution is about.”

Modified Amendment by Senators Conrad and Grassley,

Sense of the Senate on WTO Agriculture Negotiations

The amendment would add a section expressing the sense of the Senate that –

1) the goals of the United States in the Doha Round of the WTO agriculture negotiations are to achieve significantly increased market access, harmonize countries’ allowed levels of trade-distorting domestic support, and achieve a more level playing field for U.S. farmers, ranchers, and agricultural producers;

2) the proposed “modalities” framework recently released by the Chairman of the WTO Agriculture Negotiations Committee, Stuart Harbinson, fails to meet these goals because –

a) It accepts the European formulation of equal percentage reductions from unequal levels of support that locks in place the EU’s current advantage on trade-distorting domestic support levels,

- b) While it recognizes that high tariff levels should be reduced more quickly, it nevertheless fails to sufficiently open export markets for U.S. products by allowing countries to maintain prohibitively high tariffs,
  - c) While it eliminates trade-disrupting export subsidies, it phases out the elimination of export subsidies too slowly,
  - d) It contains a potentially unlimited tariff reduction loophole that would disadvantage United States agricultural products exported to developing countries, and would also limit trade between developing countries,
  - e) It preserves the trade distorting “blue box” support payments; and
- 3) the United States should not agree to this proposal unless and until it is significantly improved such that the framework will result in significantly greater market access and harmonization of countries’ allowed levels of trade-distorting domestic support, and achieve a more level playing field for United States farmers, ranchers, and agricultural producers.